

OUR GROWING DEMAND FOR SERVICES

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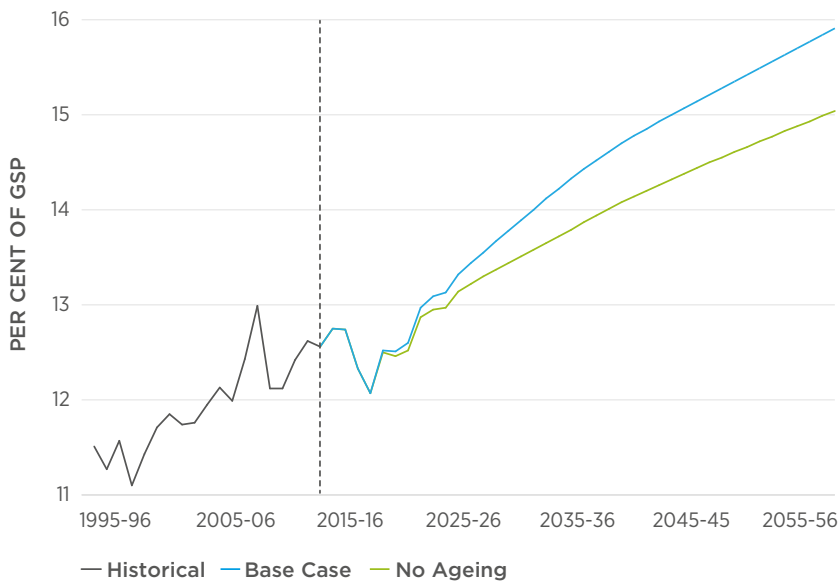
NSW Government services support great outcomes for our community. From high levels of education attainment to longer life expectancy, high quality health, low crime rates and customer satisfaction with public transport, government services contribute to wellbeing in New South Wales.

NSW Government spending on services is now around 12.6 per cent of GSP¹ and supports around 12 per cent of overall State employment (or 440,000 workers).² That equates to \$64.5 billion³ worth of schools, hospitals, transport, police, courts, community and other services.

Looking forward 40 years, average expenses are expected to grow by 5.3 per cent a year, faster than NSW's nominal economic growth rate of 4.7 per cent a year. That would mean an annual increase in nominal expenses per person from around \$9,000 today to around \$50,000 by 2055-56. Government services would rise to around 16 per cent of GSP, much higher than the 12-13 per cent of GSP average of the last 10 years, with ageing contributing a large portion of the increase (Chart 3.1).

Two broad challenges will place pressure on future expense growth. First, ageing of the population is likely to increase expenses as older people access services more frequently. Second, our citizens' expectations of service levels and quality tend to grow as incomes rise. For example, we expect more support for people with a disability, better protection of vulnerable children and more effective health treatments than we did 40 years ago.

Chart 3.1 Expenses are expected to grow to 16 per cent of GSP



Source: NSW Treasury

Ongoing improvements to the level and quality of services are expected by our community. To deliver this, services must be affordable — both today and for future generations. This means either more innovative and efficient service delivery, or increasing our revenues to pay for the level and quality of services demanded. Chapter Seven discusses options for more sustainable expenditure and revenue growth.

¹ In 2014-15 expenses reflect the annual cost of providing services (excluding interest) and expenditure is expenses plus net capital expenditure

² Australian Bureau of Statistics, 2016. Labour Force Australia Detailed (cat. no. 6291.0). ABS, Canberra

³ 2014-15, excluding interest expenses

OUR GROWING DEMAND FOR SERVICES

Government expenses are projected to grow at

5.3% annually
for the next
40 years.

Expenses are driven by inflation, population, ageing, real per capita GSP growth and other factors.

3.1 Expense trends and outlook

Government expenses are projected to grow at an average rate of 5.3 per cent annually for the next 40 years (Table 3.1). This is lower than the average of 6.0 per cent in the decade to 2008-09 (pre GFC). But it is higher than the 3.5 per cent average over the last five years, which was achieved through successful expense control measures including a tighter wages policy, efficiency dividends, procurement savings and program savings.

Table 3.1 Average annual expense growth by service area, 2014-15 to 2055-56

Service area	Expense growth rate		Ageing effect (percentage points)
	Projected (%)	No ageing ¹ (%)	
General Public Services	4.9	4.9	-
Public Order and Safety	5.2	5.2	-0.1
Education	5.1	5.3	-0.2
Health	6.0	5.4	0.6
Social Security and Welfare	5.1	5.1	0.1
Housing and Community Amenities	4.4	4.4	-
Recreation and Culture	4.9	4.9	-
Agriculture, Forestry, Fishing and Hunting	3.5	3.5	-
Transport and Communications	5.8	5.8	-
Other	3.5	3.5	-
Total Expenses (excluding interest)	5.3	5.2	0.2 ²

Source: NSW Treasury

1 Does not exclude the impact of ageing on the real economy, discussed in Chapter Two. Numbers do not add due to rounding.

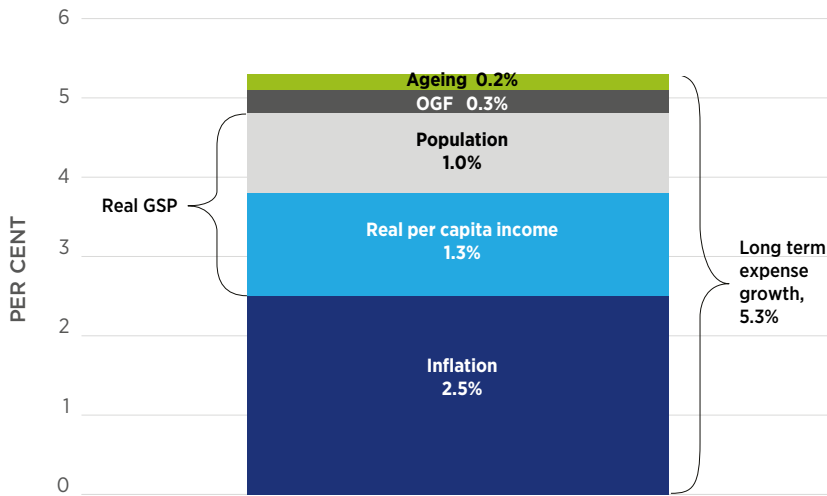
2 Weighted average

Expenses are driven by inflation, population, ageing, real per capita GSP growth and other factors. The real GSP per capita component reflects that community expectations grow as incomes rise and governments have responded to this with higher service levels. This trend is well established internationally, with many studies showing that expenses tend to grow in line with real incomes in most developed countries. Some studies suggest that government expenses will grow even faster than real income.⁴

The drivers of long-term expense growth projections feature in Chart 3.2. The projected 5.3 per cent expense growth rate includes inflation of 2.5 per cent, real per capita income growth of 1.3 per cent and population growth of 1.0 per cent.

⁴ Arpaia, A., Turrini, A., 2008. Government expenditure and economic growth in the EU: long-run tendencies and short-term adjustment. Available SSRN 1097286; Zaghini, A., Lamartina, S., 2008. Increasing public expenditures: Wagner's Law in OECD countries

Chart 3.2 Factors contributing to expense growth



Ageing drives health expense growth from 5.4 per cent to 6.0 per cent a year.

Source: NSW Treasury

Two significant factors raise expenses above GSP. The first is ageing, and the second is ‘other growth factors’ (OGFs). The impact of ageing on expense growth is delivered largely through increased health services expenses (Table 3.1). Ageing drives health expense growth from 5.4 per cent to 6.0 per cent a year. Ageing also increases growth in social security and welfare expenses, although it reduces expense growth in education, which mostly supports services for younger people. In total, ageing adds 0.2 percentage points to expense growth each year over the next 40 years.

OGFs are the residual growth in expenses after taking account of real per capita GSP growth, inflation, population (including ageing) and policy changes. They include service delivery changes, parameter-driven cost increases, cost escalation above CPI and community expectations above real income growth. The OGFs for each service area are determined from analysis of historical expense growth over the last 36 years. They are projected to add 0.3 percentage points to annual expenses growth. Expense control initiatives implemented from 2011 have reduced the total OGF (Table 3.2) by 0.1 percentage point compared to the 2011-12 Report. OGFs and age cost indices by functional area are discussed in the Technical Note.

OUR GROWING DEMAND FOR SERVICES



HEALTH IS EXPECTED TO GROW TO 36% OF TOTAL EXPENSES BY 2055-56

Total expenses are expected to increase to **\$543b** in 2055-56.

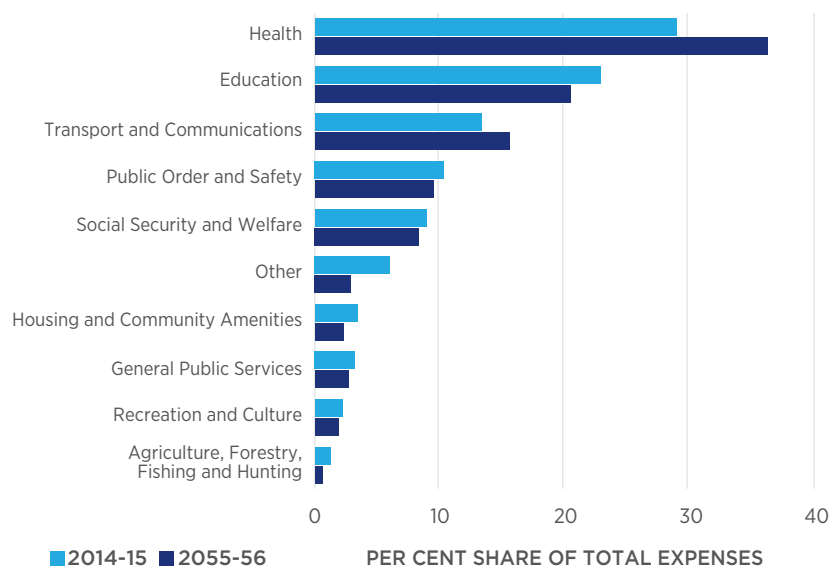
Table 3.2 Other Growth Factors by service area

Service area	New OGFs (per cent)	OGFs from BP6 2011-12 (per cent)	Change in OGF (percentage points)
General Public Services	—	—	—
Public Order and Safety	0.2	0.2	—
Education	0	0.2	-0.2
Health	0.4	0.5	-0.1
Social Security and Welfare	0.5	1.3	-0.8
Housing and Community	-0.7	-0.6	-0.1
Recreation and Culture	0.1	0.2	-0.2
Agriculture, Forestry, Fishing etc	-1.3	-0.9	-0.4
Transport and Communications	—	—	—
Other	—	—	—
Total	0.3	0.4	-0.1¹

¹ Weighted average.

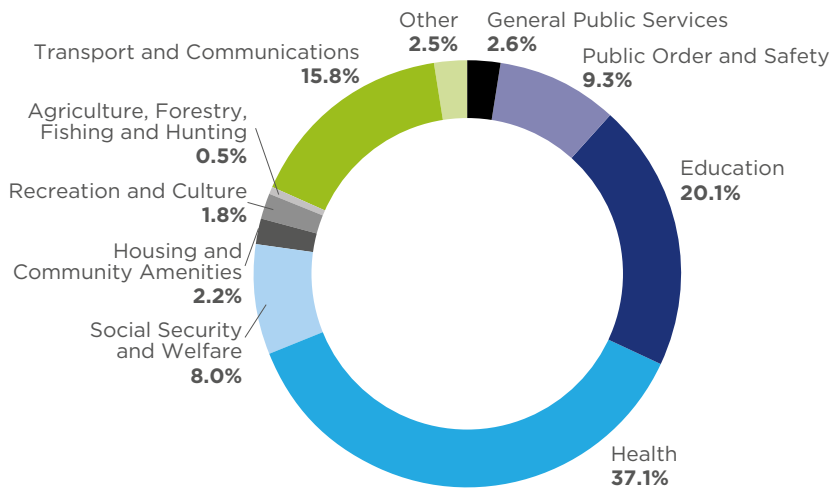
Health is, and will remain, the largest service expense for the NSW Government. Total expenses are expected to increase from \$64.5 billion in 2014-15 to \$543 billion in 2055-56, with health expenses rising from 29 to 36 per cent of expenses (Chart 3.3).

Chart 3.3 Health, education and transport will continue to account for the largest shares of expenses



Source: NSW Treasury

Health is also the largest contributor to overall expense growth over the next 40 years, accounting for 37 per cent of the total increase in expenses. Education is the second largest factor at 20 per cent, then transport and communications (16 per cent), public order and safety (nine per cent) and social security and welfare (eight per cent). The other areas make relatively smaller contributions (Chart 3.4).

Chart 3.4 Health is the largest driver of expense growth (2014-15 to 2055-56)

Source: NSW Treasury

3.2 Major expenses by policy area

Health (37.1 per cent of expense growth to 2055-56)

Health expenses are expected to be the largest contributor to the fiscal gap in 2055-56. Health is projected to grow at an annual average rate of 6.0 per cent a year and account for around 36 per cent of total expenses by 2055-56. In the near term, health expenses are expected to grow even faster at a rate of 6.3 per cent, before ageing pressures abate slightly and population growth slows in the 2030s.

NSW health services are relatively cost-effective.⁵ Rates of growth in health expenses have reduced somewhat in recent years, owing to successful efforts to drive efficiency. This is consistent with trends across OECD countries, in which health expense growth is significantly lower since the global financial crisis.⁶ Nevertheless, long term trends across the world are for health expenses to outpace GDP growth and this is expected to be the case in New South Wales over the next 40 years.

Increasing health costs arise from higher community expectations, advances in health technology and ageing. Rising expectations of the quality and volume of health services account for the greatest portion of health expense growth. According to the Grattan Institute, around 60 per cent (\$27 billion) of the increase in Australia's annual health expense between 2003 and 2013 was due to improved services and new services per person.⁷

Technological advancements and innovative practices are transforming health care and improving patients' quality of life (Box 3.1). They can also provide significant economic benefits. Better health outcomes deliver improvements in workforce participation and productivity, including fewer absences from work and greater longevity.⁸ But new technologies come at a cost. In the United States, new or increased use of medical technology is 40-50 per cent of the annual increases in health spending.⁹ Health technologies are the main reason for the relatively large health OGF, adding 0.4 percentage points a year to expense growth.

HEALTH CONTRIBUTION
TO EXPENSE GROWTH
TO 2055-56

▲ 37.1%

Increasing health costs arise from higher community expectations, advances in health technology and ageing. Rising expectations of the quality and volume of health services account for the greatest portion of health expense growth.

⁵ NSW Bureau of Health Information, 2010. Backgrounder Healthcare in Focus: How NSW compares internationally

⁶ OECD Health Statistics 2015

⁷ Daley, J., McGannon, C., Hunter, A., 2014. Budget pressures on Australian governments 2014. Grattan Institute. Available at: www.grattan.edu.au/publications/reports/post/budget-pressures-onaustralian-governments-2014

⁸ Cutler, D.M., McClellan, M., 2001. Is technological change in medicine worth it? Health Aff. (Millwood) 20, pp. 11-29

⁹ Callahan, D., 2008. Health Care Costs and Medical Technology, in: Crowley, M. (Ed.), From Birth to Death and Bench to Clinic:

The Hastings Center Bioethics Briefing Book for Journalists, Policymakers, and Campaigns. The Hastings Center, Garrison, NY, pp. 79-82

OUR GROWING DEMAND FOR SERVICES

Box 3.1

Advances in health technology

Rapid advances in science and technology are changing healthcare and medicine. Staying healthy in 2056 will be a very different experience from today.

Through technology, healthcare professionals will have access to more and better medical information about their patients. Sensors built into wearable devices or everyday objects like our beds or appliances will be able to provide real time information on the status of our health and warn us and our doctors before we get sick.

Data analysis will allow doctors and researchers to see patterns and make earlier diagnoses. These technologies are already being put into practice. For example, by assembling information in the national hip replacement registry, Australian researchers have been able to quickly compare and identify which products were defective or produced superior outcomes for patients. In the future, analyses such as these will be extended into more aspects of healthcare and doctors will be able to provide better quality care to patients with more accuracy, in shorter timeframes and with less expense.

New technologies are also making health services safer, higher quality and more accessible for patients. Forty years ago, removal of a gallbladder required a five day hospital stay. Today the same procedure involves keyhole surgery in a day. And while HIV used to have a high mortality rate, today antiretroviral drugs mean that people can live close to normal life expectancy. While many such innovations are reducing unit costs, demand for new techniques and services is growing by more, increasing overall costs.

Other new technological advances are more expensive — but with huge gains in quality of life. And frontier technologies, such as 3D printed organs, mind-controlled prosthetics and genomics, offer huge promise. While we cannot predict the medical advancements of the future, they are expected to bring enormous gains to our wellbeing over the next 40 years. They are also a key reason why we can expect health costs to continue to outpace economic growth.

Rising demand and a greater focus on students that experience educational disadvantage are primary drivers of this increase, with increasing community expectations also playing a role.

EDUCATION CONTRIBUTION
TO EXPENSE GROWTH TO
2055-56

 **20.1%**

Population ageing drives around 10 per cent of health expense growth, reflecting that health costs rise with age. For example, average health expenses per person aged over 65 is around three times higher than those under 65 years.¹⁰ While people are remaining healthy for longer, increases in life expectancy are likely to lead to increases in both healthy *and* unhealthy (high cost) years lived. Population ageing is, therefore, expected to increase health expense growth by an average of 0.6 percentage points per annum over the next 40 years.

Health's large contribution to the fiscal gap means that it has the potential to play a key role in driving down expenses over the long term. This can be done by adopting more innovative and efficient ways to deliver services, including preventive strategies to reduce demand, effective and convenient alternatives to high-cost hospital-based treatments, and more efficient delivery of health care based on consistent best practices.

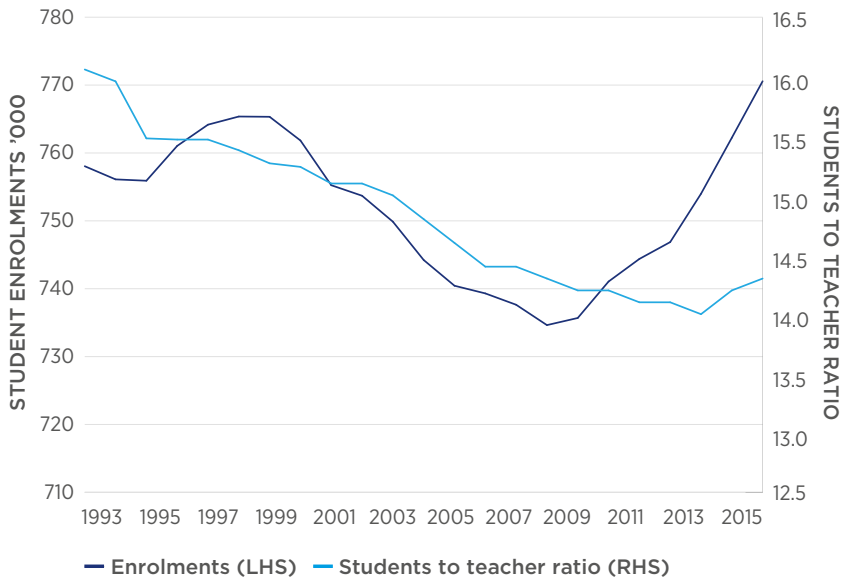
Education (20.1 per cent of expense growth to 2055-56)

Education services cover schools, early childhood, and vocational education and training programs. These expenses tend to be demand driven with costs and usage varying by age. Expenses are expected to increase by 5.1 per cent a year over the next 40 years and represent around 20 per cent of total expenses by 2055-56. Rising demand and a greater focus on students that experience educational disadvantage are primary drivers of this increase, with increasing community expectations also playing a role.

Demand for public schooling is driven by the population of school-age children as well as the share of students choosing to enrol in public schools. After more than a decade of decline, since 2009 enrolments in public schools have begun to grow (Chart 3.5) as the population of school-age children has increased. Prior to 2009, the decline in the share of students attending public schools eased pressure on expenses since the per student funding provided to private schools is close to 25 per cent of the funding provided for public school students.

¹⁰ Banks, G., 2008. Health costs and policy in an ageing Australia, p. 8

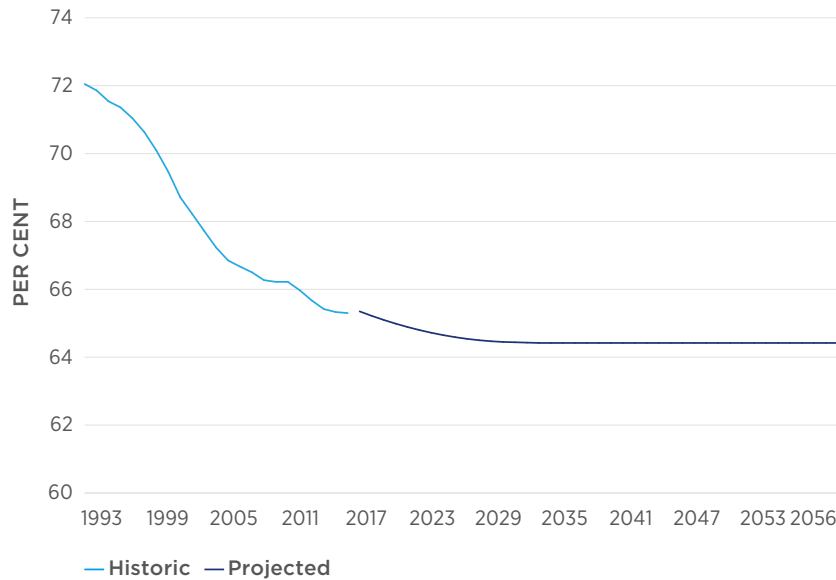
Chart 3.5 Enrolments and students to teacher ratio



Source: ABS cat no. 4221.0

Enrolments are also expected to be influenced by an expected easing in the drift of students away from public schools. The public school student share is projected to fall by around one per cent, from the current level of 65.4 per cent to 64.4 per cent by 2056 (Chart 3.6).

Chart 3.6 Decline in share of students attending public school is expected to level off



Source: ABS cat no. 4221.0 and NSW Treasury

Providing services to students with educational disadvantage is expected to contribute to rising education costs, as society increasingly focuses on the benefits of meeting these needs as discussed in Chapter Seven. The availability of effective early interventions for children can improve their life outcomes. Increases in both the number of students identified as experiencing educational disadvantage and the investment per student are driving the rising cost. In 2015, the share of students with disability averaged 15 per cent of total public school enrolments.¹¹ Over the period to 2056, the number of students with disability is expected to increase.

¹¹ Defined as students with disability who require integration funding support, specialist support classes and specialist schools (4 per cent) as well as students with low level support needs that are supported through the resource allocation model (11 per cent)



The availability of effective early interventions for children can improve their life outcomes.

OUR GROWING DEMAND FOR SERVICES

Education expense growth is also driven by rising community expectations in other aspects of schooling. Class sizes (ratio of students to teachers) have decreased in NSW public schools between 1993 and 2013 (Chart 3.5), partly because of lower enrolments up to 2009 and also because of government policy. The increased use of technology in classrooms in recent years has also contributed to the cost of education — with smartboards and tablets commonplace now, while a decade ago paper and pens were the norm (Box 3.2).

Box 3.2

Learning with technology

Technology will dramatically change the way students learn in the future, increasing both access to education and its quality. Today a student in Bourke can use an Internet connection to access courses at Harvard or Yale at their own pace. Though mail-based correspondence courses did exist in 1976, today New South Wales is seeing an explosion in the number of online courses offered from within our state, including many by TAFE NSW. By 2056 students may receive the majority of their education virtually, with techniques such as 'flipped' classrooms, where school students listen to lectures at home and 'class' time is used for working on group projects, becoming more common.

Of course, education in 2056 will still likely involve face-to-face interaction, where students can also develop their social skills. Technology will allow education to become more customised, with individual curricula tailored to students' learning styles and interests. Some of these technologies are already being tested. For example, a mathematics program, Dreambox, analyses over 800 data points per student in under one minute about how a student learns, and adapts the pace, difficulty and style of its learning program to a student's needs.

Technology will also give students more quality time with teachers with testing and marking often done through greater automation. For example, programs have been developed that recognise students' unique typing patterns to prevent cheating. The digitisation of education will also give us new data and insight into how each student learns, allowing teachers to better connect with each student.

New South Wales is on the forefront of experimenting with online education. Aurora College (The Virtual Secondary School) allows high school students in remote and rural areas to take personalised courses with a strong mathematics and science focus such as Physics or Mathematics Extension 1 and 2. Students are able to remain local, but access the best of the state's public school curricula and interact with students and teachers from across the state.

Expenses for transport and communications are projected to increase by an annual average of 5.8 per cent over the next 40 years, and represent 16 per cent of total expenses by 2055-56.

**TRANSPORT AND
COMMUNICATION
CONTRIBUTION TO EXPENSE
GROWTH TO 2055-56**

▲ 15.8%

Transport and communications (15.8 per cent of expense growth to 2055-56)

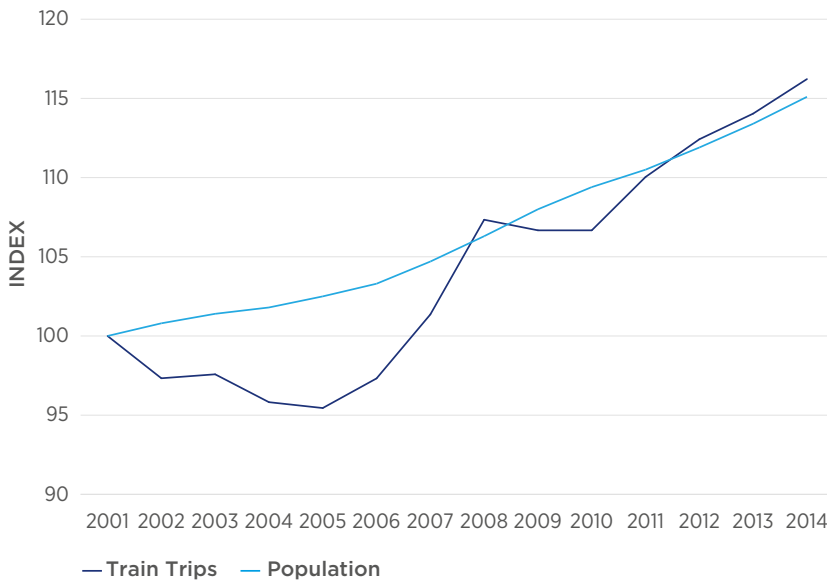
Transport and communications services include road, rail and buses as well as communications services. Transport and communication expenses cover the operations of these services. The associated infrastructure expenditure is covered in Chapter Four. Expenses for transport and communications are projected to increase by an annual average of 5.8 per cent over the next 40 years, and represent 16 per cent of total expenses by 2055-56. These costs are driven by both population and infrastructure expense trends.

Over the decade to July 2014, transport expenses grew at an average rate of 7.5 per cent per annum, compared to average nominal GSP growth of 5.7 per cent per annum. Rail transport accounted for more than 40 per cent of total transport expenses over the decade, increasing at 12 per cent per annum or about 2.3 times the rate of growth in other transport and communications expenses.

The pattern of recent transport expense growth reflects the changes in NSW's population levels and its distribution. Population growth influences transport expenses, as networks expand to cater for population density and spread. Chart 3.7 shows that the number of train trips taken has increased broadly in line with population. The NSW Bureau of Transport Statistics¹² expect this trend to continue, resulting in almost a 50 per cent increase in rail use between 2011 to 2046 in the Sydney Metropolitan Area. New technologies are also likely to influence transport expenses, although this is difficult to predict (Box 3.3).

¹² Bureau of Transport Statistics, 2014. Travel Forecasts 2011-2046, TransFigures

Chart 3.7 Sydney train use has grown in line with population



Source: Transport for NSW, Bureau of Transport Statistics

Box 3.3

Future transportation in New South Wales

The way we move around New South Wales has changed significantly in the past 40 years, and changes over the next 40 years will likely be even more significant.

New modes of transportation

Vehicles in New South Wales have changed dramatically over the past 40 years and will continue to evolve; just picture the differences between the boxy Holden HX which ruled the roads of New South Wales in 1976 and today's new fuel-efficient hybrids. By 2056, more vehicles are likely to be powered by alternative fuels such as electricity and hydrogen and may be self-driving, completely changing the experience of travelling by car.

The public transportation network has also seen massive change. In 1976, the centre of Sydney was not yet connected to Bondi Junction by rail. Today New South Wales oversees an integrated train and metro rail network that connects all parts of the state. Well before 2056, new metro and light rail connections will speed up trips between the CBD, Western Sydney and Badgerys Creek, all of which will grow into hubs for future jobs and homes in New South Wales.

More efficient networks

Just as the vehicles have changed, traffic flow has become much more efficient in the past 40 years. In 1976, most NSW traffic lights were set on simple interval timers. Today the NSW Transport Management Centre uses a combination of road cameras, 3,400 adaptive traffic signals and a 24-hour Transport Operations Room to optimize traffic flow and respond to incidents throughout the state. By 2056, a combination of technologies and autonomous vehicles may allow vehicles, road systems, traffic controllers and even environmental sensors to seamlessly communicate with one another and automatically coordinate everyone's trips, making them shorter, safer and more environmentally friendly.

These new technologies could be supported by policies that help set incentives for using public transport and mitigate the impacts of congestion. For example, dynamic congestion pricing systems have been tried in cities overseas, and may well provide lessons for the New South Wales of the future.

The recent transport expense growth reflects the changes in NSW's population levels and its distribution. Population growth influences transport expenses, as networks expand to cater for population density and spread.



OUR GROWING DEMAND FOR SERVICES

PUBLIC ORDER AND SAFETY CONTRIBUTION TO EXPENSE GROWTH TO 2055-56

▲ 9.3%



The NSW Bureau of Transport Statistics projects an increase in demand for rail, light rail and ferry trips of about 85 per cent between 2011 and 2046 in the Sydney Metropolitan Area (or an average growth rate of 1.8 per cent per annum). With more recent shifts towards encouraging greater population density and recent additional major investment in higher frequency rail services, like Sydney Metro Northwest, Sydney Metro City & Southwest, this projected growth rate could be exceeded.

Recent trends in Sydney are reflected across Australia. According to the Commonwealth Department of Infrastructure and Regional Development, public transport use has been increasing in all capital cities since 2004. Currently, one in six people in the capital cities use mass transit for daily commuting. To 2030, the Department estimates that public transport use will grow by 30 per cent — primarily through population growth rather than a major shift in the proportion of people using public transport.

The 2015-16 Budget signalled the Transport Asset Holding Entity (TAHE) as the state's dedicated public transport asset manager. Eventually TAHE will hold all of the state's public transport assets, and procure and manage assets consistent with Government requirements. Capital projects will be funded through equity injections rather than capital grants, and the government will receive dividends and tax-equivalent payments consistent with the Commercial Policy Framework. This arrangement improves the way capital funding is provided and is projected to reduce the fiscal gap by around a quarter of a percentage point of GSP by 2055-56.

Public order and safety (9.3 per cent of expense growth to 2055-56)

Public order and safety services include police, law courts and legal services, and corrective services. Overall expenses in this area are projected to grow at an annual average rate of 5.2 per cent over the next 40 years, reaching 9 per cent of total expenses by 2055-56. Some of these services are demographically sensitive.

As with previous reports, police expenses are assumed not to be demographically sensitive. While offender rates are higher among the younger age groups, older groups have a stronger perception of crime and consequently demand a higher level of police protection. The Productivity Commission has suggested that these two factors may offset each other.¹³ It is assumed that the ratio of police officers to population remains around current levels, consistent with historical trends.

Corrective services spending is driven largely by inmate numbers and is sensitive to demographic compositional effects as younger males are over-represented in the prison population. However, relative to the 2011-12 Report, the age profile of the prison population has shifted towards the older age groups. The recent increase in the prison population can be attributed to changes in policing practices due to technology advancements.

Social security and welfare (8.0 per cent of expense growth to 2055-56)

Social security and welfare services consist of family and child welfare services, and welfare services for the aged and disabled provided by the NSW Government. Another subcategory, 'other social security and welfare,' includes emergency food and clothing, pensioners' council and water rates concessions, and electricity and transport concessions for the aged, including the Gold Opal Card (formerly the pensioner excursion ticket).

Social security and welfare expenses are projected to increase by 5.1 per cent a year and are expected to represent eight per cent of total expenses by 2055-56. This is driven mostly by expenses in family and child welfare services, which are demand-driven and are largely associated with the welfare of minors. Out-of-home care (OOHC) and statutory reporting constitute the major part.

SOCIAL SECURITY AND WELFARE CONTRIBUTION TO EXPENSE GROWTH TO 2055-56

▲ 8.0%

This is driven mostly by expenses in family and child welfare services, which are demand-driven and are largely associated with the welfare of minors. Out-of-home care and statutory reporting constitute the major part.

¹³ For more detail, please see the Productivity Commission's research report, *Economic Implications of an Ageing Australia*, 2005, pp. 241-242

Expenses in the family and child welfare services have built up from a low base in the early 1980s, growing steadily through the 1990s and then experiencing strong growth over the last decade in response to community demand. Over this period service levels have increased and the growth in the OOHC population has outpaced population growth of children and young people, increasing from 6.2 per 1,000 children and young people in 2005-06 to 9.9 per cent in 2014-15.¹⁴ This increase is reflected in a cost bias towards the 0-4 and 10-14 age cohorts.

Welfare services for the aged and disabled is another service area that has experienced major growth from relatively low levels in the early 1980s. Average annual expense growth has been 8.2 per cent over the last 16 years with significant policy enhancements over this period.

Following the introduction of the National Disability Insurance Scheme (NDIS), from 2018-19 the NSW Government will no longer receive Commonwealth funding and will contribute \$3.2 billion a year into the scheme, escalated by 3.5 per cent a year thereafter. This scheme will deliver individualised packages of support for people with disabilities and will focus on client needs using an actuarial assessment of long-term needs.

The change is incorporated in the model by applying a 'welfare for the aged and disabled' age cost index up to 2018-19. From 2018-19, when the NDIS is implemented, \$3.2 billion of disabilities expenses will be substituted with a contribution to the NDIS. In the future this payment will be escalated by 3.5 per cent. At the same time the age cost index is changed from one reflective of aged and disabilities services, to the remaining aged services provided by the NSW Government. This index is weighted according to services provided for the aged.

The 'other social security and welfare' area is a combination of age sensitive and non-age sensitive programs and incorporates a range of age-based expenses, such as expenses for some targeted public transport concessions, utilities, rebates and community services.

Housing and community amenities (2.2 per cent of expense growth to 2055-56)

Housing and community amenities include social housing and short-term accommodation for high-need clients through family and community services. It also covers community development, including Aboriginal communities, water supply, environmental protection and other community amenities. Expenses in this area are projected to grow at an annual average of 4.4 per cent over the next 40 years and represent 2.3 per cent of total expenses in 2055-56.

Housing services are broadly focused on people who require extended support, such as the elderly, people living with disabilities and people who are likely to only need short to medium-term assistance, such as the homeless. As the cost of rent in social housing is well below market levels, the demand for social housing will continue to exceed supply. The provision of social housing has therefore been categorised as supply driven and not age-sensitive.

Due to the high demand, the Future Directions for Social Housing in NSW policy aims to provide opportunities, incentives and support for tenants to transition out of social housing while ensuring that a safety net is provided for those in need. Past policy decisions have resulted in better targeting of housing assistance towards the most vulnerable. The client profile and cost structure of housing is likely to change over time as government directs limited resources to the housing needs of the vulnerable in our community, but expense growth will be relatively modest compared to other areas.

Other expenses (4.8 per cent of expense growth to 2055-56)

The remaining 4.8 per cent of expense growth comprise agriculture, forestry, fishing and hunting, recreation and culture and other expenses. These expenses are projected to grow at relatively modest rates and, in aggregate, are projected to constitute around 5.3 per cent of total expenses by 2055-56.



HOUSING AND COMMUNITY AMENITIES CONTRIBUTION TO EXPENSE GROWTH TO 2055-56

▲ 2.2%

Housing services are broadly focused on people who require extended support, such as the elderly, people living with disabilities and people who are likely to only need short to medium-term assistance.

¹⁴ Productivity Commission, 2016. Report on Government Services, Chapter 15 Child Protection. PC Canberra